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MEMORANDUM FOR THE ADMINISTRATOR

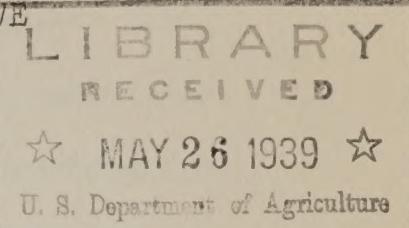
REPORT OF ACTIVITIES OF THE TENANT PURCHASE DIVISION  
FOR THE PERIOD APRIL 1 TO 30, 1939, INCLUSIVE

I. THE LEGISLATIVE SITUATION

A. Tenant Purchase Appropriation

Following its passage by the House of Representatives on March 28, the Agricultural appropriation bill, carrying an item of twenty-five million dollars for Tenant Purchase, advanced to the Senate where it remained in a sub-committee of the Committee on Appropriations during the entire month of April. Senator Bankhead advised the Administrator of his intention to move at an appropriate time for an increase in the Tenant Purchase item to \$50,000,000. This was done on May 4. The increase was agreed to by all members of the sub-committee present and was included in the report of the appropriation committee submitted to the Senate as Calendar No. 413 under the date of May 5. On May 8, the Senate agreed to all increases recommended by the Committee on Appropriations, including the \$25,000,000 increase in TP. There was no discussion of this item. With the House bill carrying \$25,000,000 and the Senate Bill carrying \$50,000,000, the matter will now rest with the conference committee.

B. Proposed Amendments to the Bankhead-Jones Farm Tenant Act  
Interest in the Lee Amendment, S. 1836, providing for guarantee of farm mortgages reached a high peak early in





April, and in view of the 51 co-signers of the bill it appeared that prospects for its passage were favorable. The bill was referred for departmental reports and a conference was held between the Director of the Budget, representatives of the Farm Credit Administration and the Farm Security Administration. It is expected that it will be considered by the Senate Committee on Agriculture and Forestry in the near future. There has been no move to advance S. 1365, or H. R. 4406, the amendments introduced in the Senate and House, respectively by Senator Bankhead and Congressman Marvin Jones, providing for bond issues. Some additional amendments have been proposed embodying the mortgage guarantee feature and the bond issue feature. An amendment has been introduced by Congressman Stearns of New Hampshire, authorizing the use of funds appropriated under Title I for refinancing purposes.

None of the above amendments have been reported out by congressional committees; in fact committee hearings have been completed on none of them.

There follows a brief resume of all legislation introduced in the 76th Congress affecting Title I of the Bankhead-Jones Farm Tenant Act:

The following amendments to the Bankhead-Jones Farm Tenant Act have been introduced, all of which provide for the Farm Tenant Mortgage Insurance feature. The difference in



these amendments is mainly in the amounts authorized to be insured, ranging from \$500,000,000 to \$1,000,000,000.

<u>No. of Bill</u>	<u>Date Introduced</u>	<u>Introduced By</u>
S 100	Jan. 4, 1939	Senator Lee, Oklahoma
H. R. 1659	Jan. 4, 1939	Rep. Jones, Texas
H. R. 4406	Feb. 22, 1939	Rep. Jones, Texas
S. 1836	Mar. 16, 1939	Sen. Lee, Oklahoma
H. R. 5410	Mar. 26, 1939	Rep. Johnson, Oklahoma
H. R. 5914	Apr. 20, 1939	Rep. Nichols, Oklahoma

The following amendments authorize the Secretary of Treasury to issue bonds, notes or debentures to finance loans under Title I:

<u>No. of Bill</u>	<u>Date Introduced</u>	<u>Introduced By</u>
H. R. 4378	Feb. 21, 1939	Rep. Pace, Georgia
S. 1365	Feb. 16, 1939	Sen. Bankhead, Alabama

H. R. 4406, introduced by Representative Jones, Texas, listed above, also includes provision for this method of financing.

In addition, the following bills have been introduced which have a different bearing on the execution of Title I of the Bankhead-Jones Farm Tenant Act:

S-667 - Introduced January 16, 1939 by Senator McKellar of Tennessee which provides that the Secretary may, through such local representatives as he may designate, make loans



(1) for the purchase and improvement of farms not to exceed \$2000 (not more than ten tenants or sharecroppers in any one year in any one county), (2) for crop production and harvesting to farmers not to exceed \$400 (except in distressed emergency areas). Not more than \$75,000,000 to be appropriated in any one year, and all funds collected shall be used in making loans and for administrative expense.

H. R. 6052 - Introduced April 27, 1939 by Representative Stearns of New Hampshire which provides that not more than ten per cent of loans under Title I may be used to refinance existing mortgages. Strikes out allocation of funds to states and territories on basis of farm population and percentage of tenancy.

## II. ENCUMBRANCES FALLING BEHIND EXPECTATIONS

On February 3, the Director of the Tenant Purchase Division, in response to a request from Assistant Administrator Baldwin, predicted an encumbrance of sixteen million dollars by April 1, twenty million dollars by May 1, and practically complete encumbrance of all funds by June 30. As of April 29, \$13,901,467 had been encumbered. This fell short of predictions by around six million dollars. In place of the bulk of encumbrances falling in March and April, as predicted, it appears that May and June will be the big months.



The TP Division has been trying to determine why the program is moving relatively more slowly this year than last. A few of the regions lost time in the preliminary steps; that is, designating counties, endorsing committeemen, opening and closing applications. The principal delay, however, has occurred in the selection of farms. This is a phase of the program that cannot be rushed without land price inflation which is disadvantageous to the TP borrowers.

So long as appropriations are on a July 1 to June 30 fiscal year basis, some difficulties will be encountered from a timing standpoint. It is not probable that it will be possible to start July 1 or immediately after the Agricultural appropriation bill has been passed any given year and close loans in time for borrowers to occupy their farms by the following January or even by the following March. A January to December 31 fiscal year would synchronize better with the dates when farms normally change hands.

Part of the difficulties, however, appear to be administrative and grow out of the fact that county supervisors and home supervisors have certain exacting seasonal responsibilities in connection with rehabilitation. During the fall months the Tenant Purchase program moved forward rapidly in Regions II, III, IV, V, VI, VII, VIII and X. During the winter months when new RR loans and supplemental RR loans were being made, the TP program slowed



down materially in Regions IV, V and VI. Since these are large TP regions, the effect of this slowing down is apparent in the encumbrance record.

A. Remedies for the Delay

As one means for remedying the situation described above, a concerted effort is now being made to get the preliminaries over with at a much earlier date than we have done this year. A lot of valuable time was totally lost last year by delay in getting recommendations in for the designation of TP counties. We have asked the regional directors to proceed with calling state committee meetings and requesting county designations, and have included with these suggestions requests for earlier submissions of nominations for county committeemen.

We have been studying the structural set-up with a view to overcoming some of the organizational defects without altering the basic organization plan. One point was mentioned in last month's report, namely, that of giving District Supervisors more definite responsibility for Tenant Purchase activities, and having TP Specialists confine their activities more to instructing District Supervisors and less to instructing county supervisors. Some increase in the staff of assistant state TP specialists also appears to be necessary. During April Mr. Henson prepared a preliminary



memorandum entitled "Proposed Organization and Functioning of the Regional Tenant Purchase Section." This tentative memorandum contemplates the partial absorption of appraisal functions by assistant TP specialists. Since we are planning a farm management approach as a means of determining the earning capacity of farms, it would appear logical to at least partially replace appraisers with assistant TP specialists, trained in farm management, who will submit reports on the earning capacity of farms, assist with optioning and otherwise function as TP specialists. It appears that such specialists scheduled through District Supervisors can aid overburdened county supervisors without relieving them of responsibility for TP loans. The object is to find a way of helping over-burdened county supervisors without relieving them of responsibility.

These questions of functional coordination will be placed on the docket for full consideration when Tenant Purchase Chiefs come to Washington. Plans should crystalize at that time which will be submitted for administrative approval.

### III      SUB-DIVISION OF PLANTATIONS

Previous reports of the TP Division have emphasized the need for a plan under which large tracts of land can be acquired and subdivided in order to provide an adequate number of desirable



family-size farms at prices in line with earning capacity.

A preliminary draft of a plan for sub-division was prepared by Mr. Henson during April. This preliminary draft was submitted to the Solicitor's office for an opinion as to its legality. This plan contemplates operation under the existing legislation. The essence of the plan is that options on tracts to be sub-divided will be taken by a representative of the Farm Security Administration, subject to assignments to prospective purchasers after sub-division has been effected.

IV. REVISION OF TP FORMS AND INSTRUCTIONS

During April members of the TP staff began to concentrate upon the task of revising TP Instructions and various forms to correct defects that came to light during the course of the year. The plan is to have all contemplated changes in readiness for review when the regional TP chiefs assemble in Washington in June. Instructions and forms are not in bad shape. The "cutting and trying" process, i. e., preliminary clearance of new procedure with the field has worked well but some further perfections and improvements are possible and desirable.

V. APPRAISAL FORM HELD UP UNDER FIELD TEST

It is now possible to report a generally favorable field reaction to the revised appraisal form. In collaboration with field



personnel, Mr. Pope personally tested the form in Regions V, VI, and VIII. Copies of the new form were circulated to other regions. Suggestions and criticisms have been considered in preparing a draft of the form which will be presented for administrative consideration. It is proposed to issue the new form under the title "Report of Earning Capacity of Farm," rather than "Appraisal Report."

VI. LARGE RR LOANS TO TP BORROWERS

During April the Director of the Tenant Purchase Division visited Regions IX, X and XI, embracing the Rocky Mountain and Pacific Coast States. These regions are going considerably beyond others with respect to the magnitude of RR loans. Remedial action has been taken. Field representatives were advised personally that they were out of line on this point and letters of confirmation have been sent out. Administration Instruction 635.1 provides that "When borrowers are unable to accumulate sufficient capital to care for their operating expenses, they may be extended a standard RR loan, according to regular rehabilitation procedure." Inasmuch as the regions named have interpreted operating loans to include loans for the purchase of livestock, equipment and machinery, it appears that the Instruction is in need of amplification and that rehabilitation loans to TP borrowers should be limited to small operating loans as distinct from large equipment loans for the purchase of livestock, equipment, etc.



VII      DOCUMENTS ISSUED

The following official material related to Tenant Purchase activities was issued during April:

- A. Complete revision of Instruction on "Employment of State and County Committeemen" (605.1)
- B. Revision of Instruction on "Supplemental TP and Other Loans" (635.1), consisting of addition of Paragraph I B 6, which provides that Form FSA-LE 229, "Certificate as to Closing of TP Loan," with necessary modification, be executed for supplemental loans.
- C. Revision of Instruction on "Repairs and New Construction" (640.1), consisting of addition of Paragraph I C, which prohibits the purchase of buildings on outside tracts and moving of them to TP farms, unless exception in individual cases is made by the Regional Director, such exception to be granted only upon condition that the buildings purchased are legally released from any liens or mortgages outstanding against the property upon which they are located.
- D. Revision of Instruction on "Collections - General" (660.1), consisting of addition of Paragraph I C, which gives instructions regarding the preparation of Standard Form 1044, "Schedule of Collections."
- E. New Instruction on "Regional Servicing of TP Loan Accounts" (662.2)



VIII. FIELD TRIPS

A: Director of the Division

The Director of the Division left Washington at midnight April 1, and returned Tuesday morning, April 25, during which the following schedule was observed:

- April 3-4 Colorado. Conferences in regional office in Denver and the State office in Fort Collins.
- April 5-6 Wyoming. Traveled through State by automobile. Conferences with Regional TP Chief, Wyoming State Director and staff. Attendance District Supervisors' conference Wheatland, Wyoming.
- April 7-8 Montana. Inspection of TP farms Stillwater County, Montana.
- 9 Conference with State Director Montana at Bozeman.
- 10 Washington. Meeting of Washington State Advisory Committee and inspection of TP farms Clark County, Washington.
- 11 Oregon. Conferences with Regional Staff members at Portland. Traveled to Corvallis and inspection of TP farms, Linn County, Oregon.



- April 12 Oregon. Meeting of Oregon State FSA Advisory Committee and inspection of TP farms, Lane County, Oregon.
- 13 Conference with Assistant RR Director and staff at Corvallis. Conference with members of staff of the Oregon State College.
- 14 Idaho. Meeting of Idaho FSA Advisory Committee, Caldwell, Idaho.
- 18 California. Conference with Regional Director and members of regional staff, Region IX, at San Francisco, California.
- 19 Inspection of TP farms San Joaquin, and Merced Counties, California.
- 20 Inspection of TP farms Tulare County, California.
- 22 Texas. Conference with Regional Director Hauter and members of regional staff Amarillo, Texas. Attended meeting of Southern Great Plains Coordinating Committee.

B. Mr. Henson

- April 21 New York. State FSA Advisory Committee meeting at Ithaca from 10:00 a. m. to 7:00 p. m. One of the actions of the Committee was to approve the controlled bank accounts.



C. Mr. Pope

Mr. Pope continued his trip started in March. At the beginning of April, he was in Region VIII trying out tentatively revised appraisal form.

April 4 - 10      Region VI

April 11 - 14      Region V

D. Mr. Smith

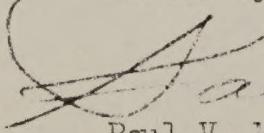
Mr. Smith continued his trip started in March. He visited TP counties in Colorado, Montana and Wyoming in Region X; attended State Committee meeting in Vancouver, Washington, April 10; and State Committee meeting in Eugene, Oregon, April 12; contacted regional personnel in Denver, Portland, Amarillo, San Francisco and Indianapolis; visited TP counties in California.

E. Miss Jaffe

Miss Jaffe is making a series of visits to nearby county offices for the purpose of testing reporting forms.

April 28      - Frederick, Maryland.

Sincerely yours,

  
Paul V. Maris  
Director  
Tenant Purchase Division

